



Patrick W. Henning, Director
February 8, 2008
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Arnold Schwarzenegger
Governor

Ms. Kathy Zwart, WIB Director
Santa Cruz County Workforce Investment Board
1040 Emeline Avenue, Bldg. E
Santa Cruz, CA 95060

Dear Ms. Zwart:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2006-07

This is to inform you of the results of our review for Program Year (PY) 2006-07 of the Santa Cruz County Local Workforce Investment Area's (Santa Cruz County LWIA) grant financial management and procurement systems. This review was conducted by Ms. Karen Fuller-Ware from July 9-13, 2007. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the Santa Cruz County LWIA with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2006-07.

We collected the information for this report through interviews with representatives of the Santa Cruz County LWIA, a review of applicable policies and procedures, and a review of documentation retained by the Santa Cruz County LWIA for a sample of expenditures and procurements for PY 2006-07.

We received your response to our draft report on October 22, 2007 and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 1 cited in the draft report, no further action is required at this time. However, this issue will remain open until we verify your implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 70361.

BACKGROUND

The Santa Cruz County LWIA was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2006-07, the Santa Cruz County LWIA was allocated: \$957,825 to serve 355 adult participants; \$1,132,504 to serve 161 youth participants; and \$900,031 to serve 190 dislocated worker participants.

For the quarter ending March 31, 2007, the Santa Cruz County LWIA reported the following expenditures and enrollments for its WIA programs: \$168,688 to serve 302 adult participants; \$648,328 to serve 130 youth participants; and \$242,969 to serve 182 dislocated worker participants.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, the Santa Cruz County LWIA is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of cost or price analysis. The finding that we identified in this area, our recommendation, and the Santa Cruz County LWIA's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 29 CFR Section 97.36(f)(1) states, in part, that grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications.

29 CFR Section 97.36(d)(1) states, in part, that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

WIAD00-2 states, in part, that recipients and subrecipients must have written procedures that include, but are not limited to, requirements for a price or cost analysis.

The Santa Cruz County LWIA's policy and procedures states that staff shall perform a cost or price analysis in connection with procurement actions.

Observation: We observed that the Santa Cruz County LWIA did not conduct a price analysis when it purchased catering services from 5-Star Catering for \$919.15.

Recommendation: We recommended that the Santa Cruz County LWIA provide the Compliance Review Division with a corrective action plan (CAP) explaining how it will ensure that, in the future, price or rate quotations are obtained from an adequate number of qualified sources and that a price analysis is completed.

LWIA Response: The Santa Cruz County LWIA stated that its procurement policy and the County of Santa Cruz procurement procedures for a "small purchase" were followed. Price quotes from three caterers were secured, analyzed and documented on the County's requisition form. In addition, staff wrote a memo to explain why the caterer was selected and this information was reviewed by the State monitor. The Santa Cruz LWIA stated that a cost price analysis worksheet is not used for small purchases, but it is typically used for contracts and services of \$50,000 and above.

On July 16, 2007, the Procurement Officer issued clarification to all staff that the cost analysis worksheets will need to be used on all procurements, contracts, and small purchases. The Procurement Officer also informed subcontractors of the requirement for using the cost analysis worksheets. Staff of the Santa Cruz County LWIA also monitored subcontractors for the completion of cost price analysis in December 2007.

State Conclusion: We consider this issue resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is the Santa Cruz County LWIA's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the Santa Cruz County LWIA's responsibility.

Ms. Kathy Zwart

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Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Karen Fuller-Ware at (916) 653-4174.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
Dathan Moore, MIC 50
Eileen Rohfling, MIC 50